



County of Los Angeles  
**CHIEF ADMINISTRATIVE OFFICE**

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DAVID E. JANSSEN  
Chief Administrative Officer

April 15, 2004

To: Supervisor Don Knabe, Chairman  
Supervisor Gloria Molina  
Supervisor Yvonne Brathwaite Burke  
Supervisor Zev Yaroslavsky  
Supervisor Michael D. Antonovich

From: David E. Janssen  
Chief Administrative Officer

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE BRATHWAITE BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

**SACRAMENTO UPDATE**

**Finance Department April Report**

The April Finance Department Report contains good news and bad news. The bad news is that California hardly shared in the strong job growth that produced over 300,000 jobs in March, nationwide. California non-farm payroll employment only rose by 5,200. California's unemployment rate jumped to 6.5 percent in March, an increase from a revised 6.3 percent in February, and almost 1 percent higher than the national rate of 5.7 percent in March.

Despite the fact that California is lagging in the national economic recovery, revenue collections in March were surprisingly strong, running \$406 million ahead of the forecast for receipts in March. Personal income tax receipts were up \$314 million while sales and use tax receipts were \$323 million above forecast. Corporation tax revenues, however, were \$302 million below forecast. It would be premature to read too much into these numbers because they can vary greatly from projections because of processing issues. On a year-to-date basis, revenues are \$217 million lower than what had been expected.

**Realignment Vehicle License Fee Update**

As previously reported, State payment of realignment vehicle license fees (VLF) ceased as of March 1, 2004, due to the implementation of a poison pill provision in the realignment statute. While the full amount of the fee continues to be collected, that portion dedicated to realignment, as well as the associated State backfill, is being held pending legislative action. The Finance Department has drafted language to provide a temporary fix that would resume payment to counties through the end of the fiscal year. A tentative hearing is scheduled in the Assembly next week.

### **Local Government Reform**

The CSAC/League of Cities constitutional initiative to protect local government revenue and strengthen existing mandate protections appears to be headed for the ballot in November. The official deadline for submission of signatures is this Friday, April 16. Approximately 600,000 valid signatures are needed to qualify as a constitutional amendment for the ballot. As of Tuesday, April 13, 909,000 signatures had been collected. Initial sampling indicated that 70-75 percent of submitted signatures were proving to be valid. The initiative has also been introduced in the Senate as SCA 21 (Torlakson and Johnson).

A competing proposal by former Speaker Bob Hertzberg which would provide similar protection for local government revenues, as well as strengthen existing protections from State mandates, was never circulated for signature but has been introduced in the Legislature as SCA 22 and SB 1774 (both by Tolakson and Ross Johnson) and ACA 30 and AB 3105 (both by Campbell and Steinberg). The League of Cities has strongly opposed the Hertzberg proposal because it would require local governments to swap their entire non-realignment VLF revenue, as well as up to half a percent of local sales tax revenue, in return for an equivalent amount of property taxes. A one-page comparison of the two proposals is attached (Attachment A).

The Senate Committee on Local Government held a hearing on SB 1774 on April 14, 2004. The constitutional amendments, including the CSAC/League proposal, will be heard in May.

### **Workers' Compensation**

Reports in the media, as well as from our Sacramento Advocates, indicate that a tentative compromise has been agreed to between the Governor and Legislative Leaders on workers' compensation reform. Depending upon the responses of the respective caucuses, the agreement could be reported out of conference committee on Thursday for floor vote as early as Friday. Although the language agreed to is not yet available, our Advocates, who have been close to the negotiations, report that the following key County priorities appear to be in the package: objective standards for determining permanent disability using AMA guidelines, apportionment of liability for work-related injuries only (as opposed to inclusion of other causes), and additional relief from the current requirements for late payment penalties which cause excessive costs. These items are some of the more significant elements of the County's workers' compensation priorities.

### **Revised Estimated Loss to Los Angeles County from the Governor's Budget**

Attachment B is the latest version of our estimate of the revenue/fund loss to the County under the Governor's January Budget. The changes reflect a better understanding of the Governor's proposal to eliminate TANF funding for juvenile probation, including

the additional County costs that will result from the closure of the probation camps and the annual commitment of over a 1,000 youths to the California Youth Authority, and the placement of another 1,000 youths in group homes. In addition to the County's additional costs, the State will incur additional annual costs of approximately \$115 million as a result of eliminating \$83 million of County TANF funding.

### **Assembly Hearing on IHSS and Probation Funding**

On April 23, 2004, Assembly Budget Subcommittee #1 is scheduled for a hearing on State budget proposals related to reductions in In-Home Supportive Services, and probation services. Representatives from the Department of Public Social Services and the Probation Department are expected to testify. The hearing will take place in the Board Hearing Room, 383 Hahn Hall of Administration, at 9:30 a.m.

### **Pursuit of County Position on Legislation**

**SB 1462 (Kuehl)**, as amended on April 12, 2004, would create the Southern California Military Greenway Commission (Commission), under the auspices of the State, to address land use decisions relating to areas around military facilities, and training areas, through the coordination of land use practices between counties for land located beneath military airspace.

Specifically, the Commission would gather information, review plans and mediate disputes related to proposed land uses that may affect military flight paths within eight counties; Los Angeles, Kern, Kings, Imperial, Riverside, San Bernardino, San Diego and Ventura. The Commission would focus on proposed projects that may significantly diminish the effectiveness of military flight paths and the commitment of open space beneath those flight paths or appropriate buffer zones. The Commission would have the authority to administer the acquisition of voluntary private and public conservation easements. The Commission would not have the power of eminent domain unless requested by the landowner. It may apply for, and accept Federal and state grants and funds, gifts, donations, rents, and royalties. The Commission would be comprised of 19 commissioners with only one from Los Angeles County.

The bill would require local agencies that acquire real property or receive land use proposals for land under controlled airspace to send the proposals to the Commission. If the Commission determines that a proposed land use significantly impacts airspace, it may suggest changes to the proposal to minimize or eliminate the impact and must notify the local agency of its findings. If the local agency does not agree with the commission's findings, SB 1462 would require the local agency to enter into a conflict resolution process which is to be determined by the Governor by January 1, 2005, or mediation proceedings. Either party would be allowed to ask a court to invite the parties to enter into mediation without the necessity of filing an action.

In the event the Commission determines that the final proposal may still diminish the effectiveness of the military's use of air space, the local agency shall not approve the proposal unless the entity's legislative body adopts the proposal by a four-fifths vote and makes a finding that five additional requirements have been met, including: the agency made a good faith effort to resolve the issues, there will be no hazards to the military's use of airspace, it will not result in hazards to life and property, there are no feasible means to mitigate or avoid conflicts, and disapproval of the proposal would result in a prohibited taking of private property.

Agencies affected by this bill include counties, cities, special districts, planning agencies, local agency formation commissions, community redevelopment agencies, and State agencies.

The Commission would be funded by the affected counties and the counties may collect a fee on the use of real property as an alternative to transmitting funds to the commission from their general funds. The amount transferred may be determined by the population, assessed value, value of building permits in a previous fiscal year, or any combination of these factors.

Under current law, counties proposing zoning ordinances or designating land uses for land adjacent to military facilities or other designated aviation routes and airspace, are required to consider the impact of new growth on military activities. Current law defines open-space as any parcel or area of land or water that is essentially unimproved and devoted to open-space use including, but not limited to, areas that serve as buffer zones to military installations, military training routes, and restricted airspace.

The Department of Regional Planning recommends the County oppose SB 1462 because of its potential to cede the County's local land use control to a new State regulatory body that has 19 commissioners with only one representative from Los Angeles County. According to Regional Planning, the Commission would extend the County's project approval review/process, and invoke a new conflict resolution or mediation process that could only be overcome by a super-majority vote by the Board. The bill would require the Board to establish findings that are higher than existing land use decision-making requirements which would effectively shift land use decisions to the Commission. Finally, the bill represents a new mandate on the County and requires the counties to either fund the State Commission directly or collect a fee. The Los Angeles LAFCo for the County of Los Angeles agrees with Regional Planning and also recommends an oppose position.

**Because SB 1462 will reduce the County's land use authority, our Sacramento advocates will oppose SB 1462.** This is consistent with the State Legislative Agenda to oppose legislation that infringes upon the County Board of Supervisor's local land use decision-making authority.

SB 1462 is scheduled to be heard in the Senate Local Government Committee on April 21, 2004.

**Status of County-Interest Legislation**

**County-supported AB 1663 (Dutra)**, which would extend the sunset date from January 1, 2005 to January 1, 2010, for the current \$1 fee assessment on each vehicle registered with the County to finance the Taskforce for Regional Autotheft Prevention program, was amended on April 12, 2004 to require each county to issue a fiscal year-end report to the Controller who will determine if fee revenues are being utilized in a manner consistent with the bill. The California Highway Patrol would be required to review the effectiveness of reducing vehicle theft crimes through county programs funded by these fees.

**County-opposed AB 2031 (Steinberg)**, which would eliminate the authority for the Department of Public Social Services to operate the statewide fingerprint imaging system and make conforming changes to the Kin-Gap Program, passed the Assembly Human Services Committee on April 13, 2004 on a 5-2 party-line vote. Our Sacramento Advocates and the Los Angeles District Attorney's office testified in opposition and amendments were taken to add co-authors including Assemblymembers Lois Wolk, Gene Mullin, and Sally Lieber. The bill will be referred to the Appropriations Committee.

**County-opposed SB 1801 (Bowen)**, which would have prohibited any State or local agency or court that accepts a credit card or debit card as payment for any service or obligation from imposing a processing fee or charge that was not also imposed upon persons who pay for the same service or obligation by cash or check, was defeated on April 14, 2004 in the Senate Judiciary Committee. Treasurer-Tax Collector Mark Saladino testified in opposition to the bill. Reconsideration of SB 1801 has been granted, and the bill will taken up next week for vote only.

We will continue to keep you advised.

DEJ:GK  
MAL:JF:JR:JL:ib

**Attachments**

c:     Executive Officer, Board of Supervisors  
        County Counsel  
        Local 660  
        All Department Heads  
        Legislative Strategist  
        Coalition of County Unions  
        California Contract Cities Association  
        Independent Cities Association  
        League of California Cities

	Local Taxpayers and Public Safety Protection Act (CSAC/League)	Local Government Property Tax Protection Act (Hertzberg)
Goals	Stabilize and protect local revenue	Same plus reduce local incentive for retail development
Method	Constitutional Amendment	Constitutional amendment and statutory changes
Local Revenue Protection	<ul style="list-style-type: none"> <li>* Applies to all local governments</li> <li>* Property Tax, Local Sales Tax and VLF, including backfill and "GAP" loan</li> <li>* Legislature can modify subject to a 2/3 vote, and approval by voters at the next statewide election</li> <li>* Protection Retroactive to November 1, 2003</li> </ul>	<ul style="list-style-type: none"> <li>* Applies to cities, counties, and special districts</li> <li>* Property, local sales tax, and other locally-imposed taxes</li> <li>* Legislature cannot change but can create new exemptions if it reimburses local governments</li> <li>* Generally not effective until 1/1/05</li> </ul>
Mandate Protection	<ul style="list-style-type: none"> <li>* Applies to all local governments including schools</li> <li>* Puts a tighter definition of a mandate in the Constitution</li> <li>* Requires reimbursement within 180 days</li> <li>* Allows local government the option to suspend any unfunded mandate or perform and be paid later, including currently deferred mandates</li> </ul>	<ul style="list-style-type: none"> <li>* Same</li> <li>* Same</li> <li>* Requires reimbursement within one year</li> <li>* Same options but only for new mandates created after 12/31/04</li> <li>* Allows payment deferral for existing subventions in FY 04-05 and FY 05-06 with payment required in FY 06-07 budget act.</li> </ul>
Governor's ERAF Shift	Would suspend, pending a vote of the people in 2006	Would allow, but restore half in FY 05-06 and the balance in FY 06-07
Tax Swaps	No provision	Cities and counties would give their non-realignment VLF and ½ % of their sales tax to schools in return for an equivalent amount of property taxes

**ESTIMATED LOSS TO LOS ANGELES COUNTY  
FROM GOVERNOR'S PROPOSED BUDGET\***  
(Dollars in Millions)

**REVISED**

	<u>FY 03-04</u>	<u>FY 04-05</u>
Property Tax Shift: General Fund		\$289.0
Probation: Elimination of TANF Funding Effective October 31, 2004**		55.3
DCFS: Group Home Placement for 1,000 Probation Camp Youths		19.2
Probation: CYA Fee for 1,034 New Commitments Due to Camp Closures		1.2
Mandate Reimbursements: Indefinite Deferral		41.0
Public Works: Suspension of Proposition 42 Transportation Funds		18.0
Federal Child Support Penalty		11.0
County Share of Child Support Collections: DPSS/DCFS		6.4
Medi-Cal Administration: COLA Limit		5.4
Children's System of Care: Elimination		4.8
VLF: Elimination of Realignment Backfill for Trailers	\$1.8	3.7
Medi-Cal: Provider Rate Reduction: Community Health Plan	1.2	1.9
AG: High Risk Pest Exclusion		1.2
Sheriff: Booking Fees Eliminated		.8
Property Tax Shift: Special Districts		13.4
Flood Control District	9.70	
Library District	2.50	
Garbage Districts	.75	
Waterworks Districts	.25	
Lighting Districts	.20	
<b>Total Loss</b>	<b>\$3.0</b>	<b>\$472.3</b>
<u>Offsetting Savings/Revenue</u>		
CalWORKs 5% Grant Reduction	.4	1.4
AG: Unclaimed Gas Revenue	.5	.5
<b>Total Gain</b>	<b>+ .9</b>	<b>+ 1.9</b>
<b>Net Loss</b>	<b>\$2.1</b>	<b>\$470.4</b>

\*Does not include impact of IHSS recommendations.

\*\*Full year impact in FY 2005-06 would be an \$83 million loss.

This table represents the loss or deferral (in the case of Mandate Reimbursement) of State funds based upon the Governor's January Budget. It does not reflect the actual impact on the County or a department's budget which may assume a different level of State funding or be able to offset some of the lost revenue.